



Request for City Council Committee Action From the Department of Public Works

Date: January 24, 2002
To: Transportation and Public Works Committee
Referral to: Ways and Means/Budget Committee

Subject: Amendment to Purchase Agreement for Sale of 2937 Lyndale Avenue South and Extension to Contract C99-14051 with Suntide Commercial Realty

Recommendation:

Public Works recommends that the proper City Officials be authorized to execute an amendment to the purchase agreement between the City and Atticus Development Group, Inc. for the sale of the property located at 2937 Lyndale Avenue South to reduce the sale price from \$505,000 to \$470,000. Public Works further recommends that Contract #C99-14051 with Suntide Commercial Realty be extended until the earlier of the sale of 2937 Lyndale Avenue South or December 31, 2002.

Previous Directives:

- City Council authorized all actions necessary for the Lyn-Lake Parking Lots project, which included acquisition of the subject property.
- City Council authorized hiring Suntide Commercial Realty to market the three properties associated with the Lyn-Lake Parking Lots Project.
- The City Council authorized the execution of a purchase agreement for the sale of 2937 Lyndale Avenue South for \$430,000, which sale did not close.
- July 13, 2001 - The City Council authorized the execution of a purchase agreement for the sale of 2937 Lyndale Avenue South to Atticus Development for \$505,000. As previously directed, the net proceeds from the sale of this property will be captured to re-pay the Parking Fund (8P10-7500-9464) for the loan granted to acquire the properties and complete construction of the Lyn-Lake Parking Lots.

Prepared or Submitted by: Heidi Hamilton, Engineer III Phone: 612/673-3439

Approved: David J. Sonnenberg, P. E., City Engineer, Director of Public Works

By: Greg Finstad, P.E., Director of Transportation and Parking Services

Presenters in Committee: Heidi Hamilton

Financial Impact (Check those that apply)

- ☐ No financial impact (If checked, go directly to Background/Supporting Information)
- ☐ Action requires an appropriation increase to the Capital Budget
- ☐ Action requires an appropriation increase to the Operating Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☒ Other financial impact (Explain): Action provides revenue for re-payment of loan from Parking Fund (8P10-7500-9464)
- ☐ Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (use any categories that apply)

Comprehensive Plan and Zoning Code: The proposed sale was approved by the Planning Commission on July 12, 2001.

Other: The sale and development of this vacant building is expected to increase utilization of the Lyn-Lake Parking Lots, increase revenue from the sale of parking credits in the lots, and reduce City expenses to maintain the building.

Background/Supporting Information

As part of development of the Lyn-Lake Parking Lots, it was necessary to acquire three excess properties as part of larger parcels that were needed for parking lot construction. Therefore, the excess properties became available for sale by the City. The City hired Suntide Commercial Realty in September 1999 to market the properties. Two of the properties (2933 Lyndale Avenue South and 600 West Lake Street) were sold during the summer of 2000.

On July 13, 2001 the City Council authorized the execution of a purchase agreement With Atticus Development Group to sell 2937 Lyndale Avenue South for \$505,000. At the time of this authorization, two other offers to purchase the property had been received by the City, the highest offering next to Atticus Development's offer was for \$425,000.

The authorized purchase agreement was executed and the buyer proceeded with due diligence activities. Prior to the expiration of the due diligence period, Atticus Development Group, Inc. determined that they would not go forth with the sale for a price of \$505,000. The buyer offered to go forth with the sale if the price is reduced to \$470,000.

The City's Commercial real estate agent for the sale of this property, Mr. Mike Finklestein of Suntide Commercial Realty, has advised that the City accept the reduced offer, as explained in the attached memo.

The proposed amendment includes the following provisions:

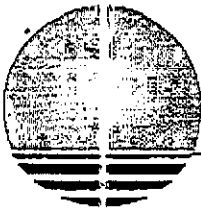
- Reduce sale price to \$470,000
- Sale must close by February 8, 2002 or City will be permitted to keep the earnest money.

As required by City Ordinance 14.120:

- The City Planning Commission reviewed the sale of the property on July 12, 2001.
- The City Engineer declared the property as not needed for City Services in a letter to the Transportation and Works Committee dated May 26, 1999.
- Notice of the sale of the property will be printed in Finance and Commerce at least ten days prior to a Public hearing on the terms of the sale and the terms of the sale have been available for review by the public.
- The City Assessor will provide a statement as to whether the sale price is fair market value prior to City Council approval of the sale.
- A public hearing will occur before final City Council approval of the sale.

In addition to amending the purchase agreement with Atticus Development, Inc., staff advises that the City's contract with Suntide Commercial Realty be extended until sale of the property is complete and/or the end of 2002, whichever comes first. Suntide Commercial Realty has invested substantial amounts of time into marketing the sale of this property. It is to the advantage of the City to continue to utilize the services of Mr. Finkelstein, who is very familiar with property, Lyn-Lake real estate market, and potential buyers, until the property is sold.

C: Council Member Niziolek
Council Member Zimmerman
Shelley Roe, MCDA
John Meldahl
Dick Nelson
Fred Neet, Planning
Mike Finkelstein, Suntide Commercial Realty
Joe Peterson, Atticus Development Group, Inc.

**SUNTIDE**COMMERCIAL
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www.suntide.com

MEMORANDUM

Date: December 12, 2001

To: Heidi Hamilton

From: Michael J. Finkelstein *MJF*

Re: 2937 Lyndale Avenue South, Minneapolis, MN.

With regard to Joe Petersen's request to reduce his purchase price by \$35,000 and to extend the transaction close date, I do recommend that we grant Mr. Petersen his request.

The basis for my recommendation is as follows:

- Since September 11th, attracting a quality number of restaurant prospects to lease a portion of the building has significantly diminished therefore adding more risk to Mr. Petersen relative to lease-up time and potentially lower than perform lease rates.
- Although fortunate for the City of Minneapolis that the Mr. Petersen offered (and the City accepted) a purchase price of \$505,000, based upon my experience and knowledge, the purchase price and cost of rehabilitation makes the return on investment and/or yield extremely marginal. This is supported and demonstrated in Mr. Petersen's underwriting information.
- Previously, the City had agreed to a purchase price of \$430,000 and Purchase Agreement with Choice Wood. You'll recall Choice Wood could not satisfy all of its contingencies to close the transaction and therefore the parties terminated the Purchase Agreement and earnest money was returned to Choice Wood. Subsequently, we requested offers from other parties. Three (3) offers were submitted, the highest offer to Mr. Petersen's was \$425,000.
- Although property values have stabilized after unprecedented increases in appreciation, lease rates for commercial space in the Lyn-Lake trade area have lagged somewhat therefore creating additional skepticism for buyers and developers of these type of properties.
- Although not substantial, the holding costs for the property by the City of Minneapolis continue.
- The proposed purchase price of \$470,000 is \$15,000 less than the "minimum bid price" of \$485,000. Please note, the "minimum bid price" was \$10,000 more than the original listing price of \$475,000 in September 99.

Please feel free to call me with any question or comments.